

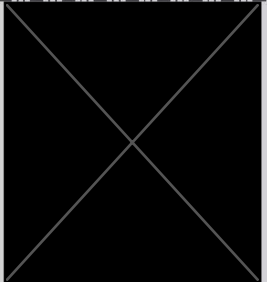
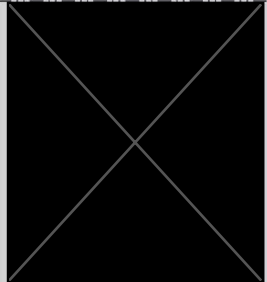
Core Instrument Strategy

Extended Lives Narrative

09/05/19

INTUITIVE

Instruments Platforms for Core: 2019 - 2021

Premium		Base
<u>Surgeon Proficiency</u> Objective: products that enable non-robotic surgeons to master critical tasks of Da Vinci surgery; suturing, and dissection	<u>Operating Efficiency</u> Objective: products that improves the amount of time performing critical Da Vinci tasks for current surgeons and improves the efficiency of managing a Da Vinci program	<u>Value Enhanced</u> Objective: create product enhancements that directly change the value equation with lower cost per use
		<u>Extended Life</u> Near-Term: Life Testing for targeted instruments

2

Extended Life Instruments: Needle Drivers, Graspers, Clip Appliers

Value to ISI

1. Allows for a tiered price-per-use of instruments based on stresses on the device under normal use
2. Reduces the number of instruments built on an annual basis

Value to Customer

1. Lowers price-per-use for common core instruments
2. Reduces the frequency of reorders for common core instruments
3. Reduces waste, increases efficiency

Competitive Positioning

1. Value based category of instrumentation in common Da Vinci surgeries
2. Further defends price position from competitive entry



Proprietary and Confidential. Copyright ©2017 Intuitive Surgical.

Cumulative Design Improvements to increase instrument life

How can you increase instrument lives and reprocessing cycles on certain core instruments?

In an effort to continuously improve instrument reliability and cost efficiency, the da Vinci Instruments are designed with extended instrument lives to reduce price-per-use while maintaining expected performance characteristics over the life of the instrument.

Enabling Improvements:

- Cumulative design improvements
- Rigorous reprocessing testing

Supporting Data:

- Design improvement history
- Reprocessing guideline improvement
- Declining RMA rates across instrument family

Quadruple Aim			
Improved Patient Outcomes	Enhanced Patient Experience	Enhanced Provider Experience	Lower Total Cost of Care
Same performance	Same performance	Same performance	Reduced per procedure cost

4

IMPROVE, TEST, COLLABORATE TO ENSURE MAX LONGEVITY

Example: Pricing Overview

Lower price-per-use = lower procedural cost for the hospital

For example: Large Needle Driver

Price	Lives	Price-Per-Use
\$2,200	10	\$220
New Price	New Life Count	Price-Per-Use
\$3,960	20	\$198



Manage perception of price increase;

Procedure Kits: Non-Standardized Instruments

Hernia (USD): Xi, 3-arm	Cholecystectomy (USD): Xi 4-arm	GYN-b (USD): Xi 3-arm
MCS (\$340)	10 life Hook (\$200)	MCS (\$340)
15 life Force Bipolar (\$280)	15 life ProGrasp (\$180)	15 life Force Bipolar (\$280)
20 life Large ND (\$180)	200 fire M/L Clip Applier (\$10) x5	20 life Mega SCND (\$195)
	15 life Fenestrated Bipolar (\$220)	
Accys Total*: \$271	Accys Total: \$332	Accys Total*: \$271
Total dV I&A: \$1,071	Total dV I&A: \$982	Total dV I&A: \$1,086
-10% discount**	-9% discount	-9% discount

* Includes 4th arm drape (inoperable) at \$10 ** As compared to Most Efficient Xi I&A choreography

6

Launch Considerations

Consider cadence of release (all at once, staggered, etc.)

Consider bundling concept (program approach):

- Republish reprocessing guidelines/ best practices
- Peel-pack emphasis/ options to supply
- Training

Consider launching extended life instruments with new visual brand language (2.0)?

- Provides visual identifier for 10 vs 20 life instruments
- Reduces confusion and burden of manual tracking of reprocessing cycles (if mixed inventory)

7

Hard cut over to ext. lives – consider inventory consumption scenarios

Questions?

Why now?

Cumulative/ historical RMA analysis combined with design and reprocessing improvements enables extension of lives.

Why is the instrument more expensive?

The price-per use of the instrument is reduced.

Why aren't all instruments receiving extended lives?

Instruments are chosen based on previously reviewed variables. Lives are determined by instrument action (cutting, clipping, grasping, etc.), reprocessing benchmarks (number of estimated cycles), and performance requirements (clinical task).

Appendix

INTUITIVE

9

Extended Life Core Instruments

Project Pillars

- Increase number of lives for needle drivers, cold graspers and clip appliers
- Lower benign procedure prices where a single energy instrument is used

Product Pillars

- Needle Drivers to 15 lives
- Cold Graspers to 20 lives
- Clip Appliers to 200 lives

DA VINCI Xi ITEM CODE	NUMBER OF USES	INSTRUMENT NAME
ENDOWRIST NEEDLE DRIVERS		
470006	15	Large Needle Drive
470309	15	Mega™ SutureCut™ Needle Driver
470296	15	Large SutureCut Needle Driver
470194	15	Mega Needle Driver
ENDOWRIST GRASPERS		
470093	20	ProGrasp™ Forceps
470207	20	Tenaculum Forceps
470347	20	Tip-Up Fenestrated Grasper
470048	10	Long Tip Forceps
470318	20	Small Graptor™ (Grasping Retractor)
470049	20	Cadiere Forceps
470190	20	Cobra Grasper
CLIP APPLIERS		
470230	200	Large Clip Applier
470327	200	Medium-Large Clip Applier
470401	200	Small Clip Applier

Financials

da Vinci Xi 8mm EndoWrist Instruments		Qty	Current Uses	Current Price	Price/ Use	New Uses	Discount	New Price	New Price / Use
470006-10	Large Needle Driver	1	10	\$ 2,200.00	\$ 220.00	20	10%	\$ 3,960.00	\$ 198.00
470309-11	Mega™ SutureCut™ Needle Driver	1	10	\$ 2,400.00	\$ 240.00	20	10%	\$ 4,320.00	\$ 216.00
470033-08	Black Diamond Micro Forceps	1	15	\$ 3,000.00	\$ 200.00	30	10%	\$ 5,400.00	\$ 180.00
470093-08	ProGrasp™ Forceps	1	10	\$ 2,200.00	\$ 220.00	20	10%	\$ 3,960.00	\$ 198.00
470207-08	Tenaculum Forceps	1	10	\$ 2,200.00	\$ 220.00	20	10%	\$ 3,960.00	\$ 198.00
470347-08	Tip-Up Fenestrated Grasper	1	10	\$ 2,200.00	\$ 220.00	20	10%	\$ 3,960.00	\$ 198.00
470181-08	Resano Forceps	1	10	\$ 2,200.00	\$ 220.00	20	10%	\$ 3,960.00	\$ 198.00
470318-08	Small Graptor™ (Grasping Retractor)	1	10	\$ 2,400.00	\$ 240.00	20	10%	\$ 4,320.00	\$ 216.00
470048-08	Long Tip Forceps	1	10	\$ 2,800.00	\$ 280.00	20	10%	\$ 5,040.00	\$ 252.00
470215-08	Cardiac Probe Grasper	1	10	\$ 2,400.00	\$ 240.00	20	10%	\$ 4,320.00	\$ 216.00
470230-09	Large Clip Applier	1	100	\$ 1,400.00	\$ 14.00	200	10%	\$ 2,520.00	\$ 12.60
470327-09	Medium-Large Clip Applier	1	100	\$ 1,400.00	\$ 14.00	200	10%	\$ 2,520.00	\$ 12.60
470249-08	Dual Blade Retractor	1	10	\$ 3,500.00	\$ 350.00	20	10%	\$ 6,300.00	\$ 315.00
470246-08	Atrial Retractor Short Right	1	10	\$ 3,500.00	\$ 350.00	20	10%	\$ 6,300.00	\$ 315.00
470001-08	Potts Scissors	1	10	\$ 1,950.00	\$ 195.00	20	10%	\$ 3,510.00	\$ 175.50
470007-04	Round Tip Scissors	1	10	\$ 2,035.00	\$ 203.50	20	10%	\$ 3,663.00	\$ 183.15
470049-04	Cadiere Forceps	1	10	\$ 2,100.00	\$ 210.00	20	10%	\$ 3,780.00	\$ 189.00
470296-04	Large SutureCut Needle Driver	1	10	\$ 2,400.00	\$ 240.00	20	10%	\$ 4,320.00	\$ 216.00
470194-04	Mega Needle Driver	1	10	\$ 2,200.00	\$ 220.00	20	10%	\$ 3,960.00	\$ 198.00
470190-03	Cobra Grasper	1	10	\$ 2,200.00	\$ 220.00	20	10%	\$ 3,960.00	\$ 198.00
470401-05	Small Clip Applier	1	100	\$ 2,800.00	\$ 28.00	200	10%	\$ 5,040.00	\$ 25.20
470036-03	Debakey Forceps	1	10	\$ 2,000.00	\$ 200.00	20	10%	\$ 3,600.00	\$ 180.00

11

Extended Life Instrument Reasoning

Technical Improvements

- Xi & Si Instrument Grasper Family

Reprocessing Improvements

Published Reprocessing Cycles in C&S Manual

- Improved instrument handling due to reprocessing limits
 - 1.5x reprocessing per instrument life
 - Gentler on instrument parts due to lower processing cycles
- Published reprocessing guidelines (11/17 Xi; 2/18 Si)

Evidence:

1. RMA analysis for number of lives remaining
2. Peel packing study
3. Bench testing